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SUBJECT: Current Economic Challenges and Opportunities in Muthanna Province

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¶1. (U) This is a PRT Muthanna reporting cable.

¶2. (U) Summary: The current economic landscape in Muthanna is largely characterized by small-scale farming and animal husbandry, with only a few factories and other industrial plants. With an unemployment rate between 23 and 32 percent, employment generation is a primary objective of PRT Muthanna. Efforts are therefore targeted at expanding job opportunities in agriculture, a labor intensive sector where Muthanna has an advantage, since the Euphrates River runs through the northern part of the province where the vast majority of the population lives.

MUTHANNA: THE BOTTOM RUNG OF IRAQ'S ECONOMIC LADDER

¶3. (U) Muthanna has, by a number of measures, the lowest economic status of the 18 Iraqi provinces. Unlike its eastern neighbors -- Basrah, Dhi Qar, and Maysan -- Muthanna does not have oil and petrochemical resources, and its economy tends to be largely agrarian in nature. Its future development prospects are hampered by a number of issues, including substandard roads and bridges, limited access to credit, and an undereducated workforce.

¶4. (U) The consequences of the harsh economic situation include quantifiable deprivation rates that are among the highest in the nation. A 2006 assessment by the United Nations Development Program (UNDP) shows that some 80 percent of families in Muthanna experienced a lack of employment, income, or basic needs. Additionally, the UNDP survey shows that Muthanna is lacking in infrastructure, health, and education.

¶5. (U) Frequent visits to the province by PRT Muthanna staff corroborate these indicators. While the Public Distribution System (PDS) of free foodstuffs largely keeps the population from starving, there is little money for much else for the majority of households in the province.

UNEMPLOYMENT IS THE KEY

¶6. (U) A cause and consequence of the economic situation in Muthanna is a very high level of unemployment. According to the Government of Iraq's Central Organization of Statistics and Information Technology, Muthanna has the highest rate of unemployment among the 18 provinces, at 23 percent of the labor force. The Muthanna Provincial Council, however, estimates that unemployment is higher, at 32 percent.

¶7. (U) Both unemployment rates, however, mask the substantial numbers of part-time or otherwise underemployed workers in the province. In addition, a large part of the adult population is

comprised of discouraged workers who have dropped out of the labor force entirely and are not counted in unemployment statistics. Available data indicate that just over half of the adult population is not in the labor force, and less than 30 percent of young people aged 18 to 24 are in the labor force. Even among those young adults who are in the labor force, only about 45 percent are unemployed.

18. (U) Those who are employed in Muthanna are most likely working in agriculture or animal husbandry, or an allied field. The major crops grown include wheat, barley, rice, sorghum, cucumbers, tomatoes, dates, and both white and yellow maize/corn. Muthanna farmers also herd sheep, goats, cattle, and to a lesser extent, camels and buffaloes. Most of this is small scale or subsistence in nature, largely consumed in the local area.

SOES: FEW AND FEEBLE

19. (U) With the exception of two state-owned cement factories, there is little in the way of heavy industry, although there is also an asphalt plant that, with adequate reinvestment and renovation, could produce again. (Note: The Defense Department's Task Force for Business and Stability Operations (TF BSO) has expressed some interest in participating in a redevelopment of the asphalt plant, but has not yet committed any funds.) Unlike its eastern neighbors, Muthanna does not have large oil deposits that are being extracted. There is an oil products refinery, however, that has been in operation since 2005. Heavy industry, even if it did exist to a more substantial degree, would be stymied by a lack of electricity. Recent estimates from the Iraq Transition Assistance Office (ITAO) indicate that Muthanna only enjoys 10 hours of power per day.

BAGHDAD 00003256 002 OF 002

Additional industry would only tax the tenuous electricity system more.

LEVERAGING ITS STRENGTH, AGRICULTURE

110. (U) In terms of future economic development, the agricultural sector presents the greatest opportunity. The Euphrates River runs through the northern part of the province, yielding a good deal of potentially arable land along its banks and tributaries. However, most of this area suffers from serious soil salinity problems and would need to be reclaimed. There are good, sweetwater aquifers in the western desert area which could be developed to grow alfalfa and other fodders for export or domestic use. In addition, agriculture in Iraq is a relatively labor intensive industry that could see at least some growth in Muthanna. Discussions with local leaders and PRT site visits reveal that a fair amount of arable land lays fallow due to inadequate agricultural development.

COMMENT

111. (U) Given the economic landscape in Muthanna, PRT quick reaction fund (QRF) projects are focusing on agricultural programs, such as the Zor Fat agricultural revitalization program. This pilot program funds the cleaning of a series of canals, installs a drip irrigation system, provides seeds and fertilizers, and trains local farmers on modern agricultural techniques. QRF projects are also funding targeted road projects to improve the infrastructure needed to support future economic development. In this way, the PRT is implementing a strategy to build on the economic strengths of the area, however limited, while focusing on the immediate needs of the area.

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END